

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA,)	
)	
<i>Plaintiff,</i>)	
)	
v.)	Civil Action No.
)	
METCALF & EDDY, INC.,)	
)	
<i>Defendant.</i>)	

COMPLAINT FOR PERMANENT INJUNCTION
AND ANCILLARY RELIEF

Plaintiff, United States of America, for its complaint herein alleges as follows:

1. Defendant, Metcalf & Eddy, Inc. ("METCALF & EDDY"), the successor by merger of Metcalf & Eddy International, Inc. ("M&E International"), has engaged, is engaged, and is about to engage in acts and practices which constitute violations of Section 104(a) of the Foreign Corrupt Practices Act of 1977 ("the Act") (15 U.S.C. § 78dd-2(a)).
2. The plaintiff brings this action to enjoin such acts and practices pursuant to Section 104(d) of the Act (15 U.S.C. § 78dd-2(d)).
3. This Court has jurisdiction of this action pursuant to Section 104(d) of the Act (15 U.S.C. § 78dd-2(d)).
4. The defendant, unless restrained and enjoined, will continue to engage in the acts and practices set forth in this complaint and in acts and practices of similar purport and object.
5. The acts and practices constituting the violations herein have occurred within the District of Massachusetts and elsewhere.

6. M&E International was merged into defendant METCALF & EDDY on or about December 10, 1997. At all times relevant to the conduct described herein, M&E International was an environmental engineering firm, headquartered in Wakefield, Massachusetts, that provided services outside the United States.
7. Defendant METCALF & EDDY is a corporation organized and existing under the laws of the State of Delaware. M&E International and its successor by merger, defendant METCALF & EDDY, are “domestic concerns” as that term is defined in Section 104(h)(1) of the Act (15 U.S.C. § 78dd-2(h)(1)).
8. Commencing in October 1994 and continuing to the date hereof, the defendant METCALF & EDDY and its predecessor M&E International, in the District of Massachusetts and elsewhere, corruptly used and caused to be used means and instrumentalities of interstate commerce, to wit, commercial aircraft, in furtherance of an offer, payment, and promise to pay something of value, to wit, travel, lodging, and entertainment expenses to the Chairman of Alexandria General Organization for Sanitary Drainage (“AGOSD”), an official of the Government of United Arab Republic of Egypt (“Egypt”), to induce said official to use his influence to effect and influence an act of the Government of Egypt, to wit, the agreement of AGOSD to support contracts and contract extensions between the United States Agency for International Development (“USAID”) and M&E International, of which AGOSD was the beneficiary, in violation of Section 104(a)(1) of the Act (15 U.S.C. § 78dd-2(a)(1)), as more fully alleged in the subsequent paragraphs of this complaint.

9. At all times relevant to the conduct described herein, AGOSD was an instrumentality of the Government of Egypt and was responsible for sewage and wastewater treatment facilities in Alexandria, Egypt.
10. During the time periods relevant to the conduct described herein, USAID sponsored two projects for the benefit of AGOSD. The Phase I project involved infrastructure development and consisted of several contracts. M&E International participated in one of these contracts as a joint venture partner and in another as sole contractor. The Phase II project involved the provision of architectural and engineering services to AGOSD. M&E International was the sole contractor on the Phase II project.
11. In 1994, M&E International bid on and was awarded a contract under the Phase I project to provide institutional support relative to the operation and maintenance of wastewater treatment facilities managed by AGOSD (the "Phase I IDP contract"). This contract became effective on November 1, 1994. The contract was extended for an additional six month term on November 17, 1996 for the period December 1, 1996 through May 31, 1997. The initial contract price was approximately \$10,739,977.00. There were various modifications throughout the contract term which increased the contract price. The final contract price was increased by an additional \$600,000 for the contract extension.
12. In 1995, M&E International bid on and was awarded the Phase II contract to provide architectural and engineering services for the benefit of AGOSD. The Phase II contract was awarded for a performance period commencing on August 1, 1995 and ending on December 31, 1996. On November 16, 1996 the contract was extended for an additional six months through June 30, 1997. The initial contract price was approximately \$22,618,618.00.

That price was increased through various contract modifications. The final contract price was increased by approximately an additional \$2.6 million for the contract extension.

13. Although the Phase I IDP contract and the Phase II contract were awarded by USAID, the prospective contractors and their bids were subject to review by a Technical Review Board comprised of five voting members. AGOSD held one voting position on each of the boards, which position was shared by two AGOSD representatives. As members of the Technical Review Boards, the AGOSD representatives participated in the evaluation and scoring of bidders.
14. Although the AGOSD Chairman himself did not participate in the evaluation and scoring of bidders in the selection process, officials of M&E International knew that he was capable of exerting influence upon his subordinates, including the AGOSD officials who sat on the Technical Review Boards for the Phase I and Phase II projects. In addition, M&E International officers knew that the Chairman could influence the selection process through direct communications with USAID regarding his preferences and that he could directly or indirectly impede the ability of M&E International to successfully complete its obligations under the contracts.
15. The AGOSD Chairman traveled twice to the United States at the invitation of M&E International during periods of time in which the awarding of the Phase I IDP and Phase II contracts, and the corresponding contract extensions, were under consideration by USAID. The Chairman's wife and two children accompanied him on both trips at M&E International's expense. On M&E International's books, the 1994 trip was associated with the Phase I project and the 1996 trip was associated with the Phase II project.

16. The first trip took place between October 5 and October 25, 1994 and included travel to Boston, Massachusetts; Washington, D.C.; Chicago, Illinois; and Orlando, Florida. During this trip, the AGOSD Chairman was invited to a water conference in Chicago. On October 19, 1994, while the Chairman was in the United States at M&E International's expense, he signed an order, on behalf of AGOSD, recommending M&E International for the Phase I IDP contract. This contract was subsequently awarded to M&E International on November 4, 1994. During this period, M&E International was also bidding on the Phase II contract, although the technical review of the bids did not take place until 1995 and the contract was not awarded to M&E International until approximately July 1995.
17. The second trip took place between September 13 and September 26, 1996 and involved travel to Paris, France; Boston, Massachusetts; and San Diego, California. On July 8, 1996, an employee of M&E International wrote a letter to the AGOSD Chairman in which he expressed M&E International's interest in continuing with the Phase II contract and requested AGOSD's support for the continuation of its services through the Chairman's contacts with USAID and the Government of Egypt. On August 15, 1996, the Chairman and his family were invited to the United States for the second trip. On November 16, 1996, the Phase II contract was extended by USAID for six months. On November 17, 1996, the Chairman wrote a letter to USAID asking that the Phase I IDP contract be extended.
18. Both the Phase I and Phase II contracts required that travel associated with the contracts be in accord with the Federal Travel Regulations (FTRs). Under the applicable travel regulations, the Chairman was entitled to receive, in advance, a cash per diem payment to cover his certain travel-related expenses. On both trips, the Chairman received 150% of his

estimated per diem expenses in a lump sum prior to leaving Egypt. USAID authorized the 150% payment in each case based upon M&E International's representation that no accommodations were available within the per diem amount. In each case, the payment of 150% of per diem was not a necessary expense, and in neither case was the payment of the extra 50% justified or documented by M&E International as required by the FTRs.

19. Moreover, on both trips, once the Chairman and his family arrived in the United States, M&E International paid for most of the travel and entertainment expenses incurred by and on behalf of the Chairman and his family, despite the fact that the Chairman had already received funds for his own per diem expenses. Under these circumstances, the advance per diem payments were, in effect, unrestricted cash payments to the Chairman.
20. In addition to the per diem advances on both trips, M&E International paid to upgrade the Chairman's airline tickets to first class for both of his trips to the United States. The FTRs authorize only coach travel except in exceptional circumstances which were not applicable to this trip. M&E International did not bill USAID for the additional cost of the Chairman's first class tickets. M&E International's provision of the first class tickets was a payment of a thing of value to the Chairman.
21. In addition, M&E International paid for the Chairman's wife and children to fly first class to the United States as part of the 1996 trip. This expense was a payment of a thing of value to the Chairman.
22. In addition, an officer of M&E International obtained two undocumented cash advances immediately prior to and during the Chairman's 1996 trip, which funds were apparently expended in connection with the Chairman's trip. As the Chairman had already received an

advance of his per diem expenses, the use of these funds for the Chairman's trip was a payment to the Chairman in violation of the Foreign Corrupt Practices Act.

23. The provision of the per diem advance, including the extra 50% per diem, with the full knowledge that the Chairman would not be expected to pay for any of his expenses while in the United States, the first class upgrade of the Chairman on both trips, and the provision of first class airfare to the Chairman's wife and family and the payment of undocumented expenses on the 1996 trip were all payments of cash and things of value to the Chairman in violation of the Foreign Corrupt Practices Act.
24. During the period October 1994 through December 1996, M&E International failed to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected the payment of money and things of value to or for the benefit of the Chairman.
25. At no time prior to March 1998 did M&E International have any training or compliance program that educated its employees concerning the conduct proscribed by the Foreign Corrupt Practices Act.

WHEREFORE, the plaintiff, United States of America, respectfully prays and demands:

I

A Final Judgment of Permanent Injunction restraining and enjoining defendant METCALF & EDDY, INC. (as successor by merger to M&E International) its agents, servants, employees, assigns, attorneys in fact and each of them from violating Sections 104(a) or (i) of the Foreign Corrupt Practices Act of 1977 (15 U.S.C. § 78dd-2(a), (i)), directly or indirectly, by use of the mails, or any means or instrumentalities of interstate commerce or to take any act outside the United States

corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift promise to give, or authorization of the giving of anything of value to:

- (1) any foreign official for purposes of—
 - (A) influencing any act or decision of such foreign official in his official capacity, inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official, or securing any improper advantage; or
 - (B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality.

in order to assist the defendant in obtaining or retaining business for or with, or directing business to, any person; or

- (2) any foreign political party or official thereof or any candidate for foreign political office for purposes of—
 - (A) influencing any act or decision of such party, official, or candidate in its or his official capacity, inducing such party, official, or candidate to do or omit to do an act in violation of the lawful duty of such party, official, or candidate, or securing any improper advantage; or
 - (B) inducing such party, official, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist the defendant in obtaining or retaining business for or with, or directing business to, any person; or

(3) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of—

(A) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, inducing such foreign official, political party, party official, or candidate to do or omit to do any act in violation of the lawful duty of such foreign official, political party, or candidate, or securing any improper advantage; or

(B) inducing such foreign official, political party, party official, or candidate to use his or its influences with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist the defendant in obtaining for or with, or directing business to, any person.

A Final Order be entered directing that METCALF & EDDY, INC. shall pay, within such time as the Court may direct and, in the manner directed by the United States Attorney for the District of Massachusetts, a civil fine, pursuant to Section 104(g)(1)(B) of the Foreign Corrupt Practices Act (15 U.S.C. § 78dd-2(g)(1)(B)), in the amount of \$400,000.00.

Respectfully submitted,

DONALD K. STERN
UNITED STATES ATTORNEY FOR
THE DISTRICT OF MASSACHUSETTS

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